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SECURITIES AND EXCHANGE COMMISSION  
(Release No. 34-75435; File No. SR-EDGX-2015-32)

Self-Regulatory Organizations; EDGX Exchange, Inc.; Notice of Filing and Immediate Effectiveness of a Proposed Rule Change Related to Fees for Use of EDGX Exchange, Inc.

July 13, 2015

Pursuant to section 19(b)(1) of the Securities Exchange Act of 1934 (the “Act”),<sup>1</sup> and Rule 19b-4 thereunder,<sup>2</sup> notice is hereby given that on July 2, 2015, EDGX Exchange, Inc. (the “Exchange” or “EDGX”) filed with the Securities and Exchange Commission (“Commission”) the proposed rule change as described in Items I, II and III below, which Items have been prepared by the Exchange. The Exchange has designated the proposed rule change as one establishing or changing a member due, fee, or other charge imposed by the Exchange under section 19(b)(3)(A)(ii) of the Act<sup>3</sup> and Rule 19b-4(f)(2) thereunder,<sup>4</sup> which renders the proposed rule change effective upon filing with the Commission. The Commission is publishing this notice to solicit comments on the proposed rule change from interested persons.

I. Self-Regulatory Organization’s Statement of the Terms of Substance of the Proposed Rule Change

The Exchange filed a proposal to amend its fees and rebates applicable to Members<sup>5</sup> and non-Members of the Exchange pursuant to EDGX Rule 15.1(a) and (c) (“Fee Schedule”) to: (i)

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<sup>1</sup> 15 U.S.C. 78s(b)(1).

<sup>2</sup> 17 CFR 240.19b-4.

<sup>3</sup> 15 U.S.C. 78s(b)(3)(A)(ii).

<sup>4</sup> 17 CFR 240.19b-4(f)(2).

<sup>5</sup> The term “Member” is defined as “any registered broker or dealer, or any person associated with a registered broker or dealer, that has been admitted to membership in the Exchange. A Member will have the status of a “member” of the Exchange as that term is defined in section 3(a)(3) of the Act.” See Exchange Rule 1.5(n).

delete fee codes AA, AM, MT and current footnotes 12 and 13; (ii) amend fee code MM by: (a) updating its description, (b) deleting current footnote 11, and (c) replacing the fee of \$0.00120 per share for orders yielding fee code MM with a rebate of \$0.00150 per share for securities priced at or above \$1.00; (iii) add new fee code HI and revised footnote 11; and (iv) add new fee code VI.

The text of the proposed rule change is available at the Exchange's website at [www.batstrading.com](http://www.batstrading.com), at the principal office of the Exchange, and at the Commission's Public Reference Room.

II. Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

In its filing with the Commission, the Exchange included statements concerning the purpose of and basis for the proposed rule change and discussed any comments it received on the proposed rule change. The text of these statements may be examined at the places specified in Item IV below. The Exchange has prepared summaries, set forth in sections A, B, and C below, of the most significant parts of such statements.

(A) Self-Regulatory Organization's Statement of the Purpose of, and Statutory Basis for, the Proposed Rule Change

1. Purpose

The Exchange submitted a proposed rule change with the Commission, for July 6, 2015 effectiveness, to better align certain Exchange rules and system functionality with that currently offered by its affiliate, BATS Exchange, Inc. ("BZX").<sup>6</sup> In sum, these changes amended: (i)

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<sup>6</sup> See SR-EDGX-2015-30 [sic] available at [www.batstrading.com/regulation/rule\\_filings/edgx](http://www.batstrading.com/regulation/rule_filings/edgx). A description of the changes proposed in this filing may be found in BATS EDGX Exchange Modifications, Effective July 6, 2015, available at [http://cdn.batstrading.com/resources/release\\_notes/2015/BATS-EDGX-Exchange-Modifications-Effective-July-6-2015.pdf](http://cdn.batstrading.com/resources/release_notes/2015/BATS-EDGX-Exchange-Modifications-Effective-July-6-2015.pdf). [sic] ("EDGX BZX

Rule 11.6(l)(1)(B) by replacing the Hide Not Slide Re-Pricing<sup>7</sup> instruction with a Display-Price Sliding<sup>8</sup> instruction; (ii) Rule 11.6(l)(3) to provide that orders with a Non-Displayed<sup>9</sup> instruction and orders of Odd Lot<sup>10</sup> size priced better than the National Best Bid or Offer (“NBBO”) will no longer be ranked at the mid-point of the NBBO; and (iii) Rule 11.8(d) to replace MidPoint Match Orders<sup>11</sup> with MidPoint Peg Orders,<sup>12</sup> the operation of which is identical to the operation of Midpoint Peg Orders on BZX<sup>13</sup> and EDGA.<sup>14</sup> These proposed changes resulted in a change to system functionality concerning the interaction of orders at the midpoint of the NBBO. As a result the above filing, the Exchange proposes the following amendments to its Fee Schedule concerning fees and rebates for orders executed at the midpoint of the NBBO: (i) delete fee codes AA, AM, MT and current footnotes 12 and 13; (ii) amend fee code MM by: (a) updating its description, (b) deleting current footnote 11, and (c) replacing the fee of \$0.00120 per share for orders yielding fee code MM with a rebate of \$0.00150 per share for securities priced at or

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Harmonization Filing”).

<sup>7</sup> See current Rule 11.6(l)(i)(B) for a description of the Hide Not Slide instruction. See also the EDGX BZX Harmonization filing, supra note 6.

<sup>8</sup> See id for a description of the Display-Price Sliding instruction.

<sup>9</sup> See Exchange Rule 11.6(e)(2).

<sup>10</sup> See Exchange Rule 11.8(s)(2).

<sup>11</sup> A MidPoint Match Order is a non-displayed Market Order or Limit Order with an instruction to execute only at the midpoint of the NBBO. See current Exchange Rule 11.8(d).

<sup>12</sup> MidPoint Peg Orders are identical to MidPoint Match Orders but for the following differences: (i) Midpoint Peg Order will be able to execute at prices equal to or better than the midpoint of the NBBO, and not just at the midpoint of the NBBO as is currently the case with MidPoint Match Orders; and (ii) unlike MidPoint Match Orders, MidPoint Peg Orders may be coupled with a Post Only instruction. See the EDGX BZX Harmonization Filing, supra note 6.

<sup>13</sup> See BZX Rule 11.9(c)(9).

<sup>14</sup> See EDGA Rule 11.8(d).

above \$1.00; (iii) add new fee code HI and revised footnote 11; and (iv) add new fee code VI. These amendments are also designed to simplify the fee and rebate structure for orders that execute between the NBBO.

Deletion of Fee Codes AA, AM, MT and Footnotes 12 and 13

The Exchange proposes to delete fee codes AA, AM, MT and related footnotes 12 and 13.

Fee Code AA. The Exchange appends fee code AA to buy and sell MidPoint Match Orders that inadvertently match against each other and share the same MPID (i.e., internalized trade). MidPoint Match Orders yielding fee code AA are charged a fee of \$0.00120 per share in securities priced at or above \$1.00 and 0.15% of the dollar value in securities priced below \$1.00.

The Exchange now proposes to delete fee code AA. As discussed above, EDGX has filed a proposed rule change with the Commission to replace MidPoint Match Orders with MidPoint Peg Orders as of July 6, 2015. Therefore, fee code AA will no longer be necessary as of that date. The Exchange notes that buy and sell MidPoint Peg Orders that inadvertently match against each other and share the same MPID would now yield either fee codes EA or ER, which are currently applied to internalized trades.<sup>15</sup>

Fee Code AM and Footnote 12. The Exchange appends fee code AM to orders that add

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<sup>15</sup> Under fee code EA, the side of an internalized trade that adds liquidity is charged a fee a fee of \$0.00045 per share in securities priced at or above \$1.00 and, like current fee code AA, 0.15% of the dollar value of the execution in securities priced below \$1.00. Under fee code ER, the side of an internalized trade that removed liquidity is subject to the same rates as fee code EA. Under both fee codes EA and ER, if a Member adds an ADV of at least 10,000,000 shares, then the Member's rate for internalization (fee codes 5, EA or ER) decreases to \$0.0001 per share per side. See EDGX Fee Schedule available at [http://batstrading.com/support/fee\\_schedule/edgx/](http://batstrading.com/support/fee_schedule/edgx/).

liquidity at the midpoint of the NBBO using: (i) an order with a Non-Displayed instruction; or (ii) an order with a Discretionary Range<sup>16</sup> instruction. Under footnote 12, an order that adds liquidity at the midpoint of the NBBO using an order with a Non-Displayed instruction will receive fee code AM where it receives no price improvement relative to its limit price and executes against the following orders that receive fee code MT: a MidPoint Match order or an order with a Non-Displayed and Post Only<sup>17</sup> instruction. Footnote 12 further states that an order that adds liquidity at the midpoint of the NBBO using an order with a Discretionary Range instruction will receive fee code AM where it executes against a MidPoint Match order. Orders that yield fee code AM pay no fee nor do they receive a rebate in securities priced above or below \$1.00.

The Exchange proposes to delete fee code AM and current footnote 12 as they would be no longer necessary due to the EDGX BZX Harmonization Filing. Going forward, an order with a Non-Displayed instruction that adds liquidity at the midpoint of the NBBO and receives price improvement would be eligible to yield proposed fee code HI, which is discussed in detail below and also charges no fee nor provides a rebate in securities priced above or below \$1.00. An order with a Non-Displayed instruction that adds liquidity at the midpoint of the NBBO and does not receive price improvement would be eligible to yield existing fee code HA, which is yielded on orders with a Non-Displayed instruction that add liquidity.<sup>18</sup> Under the EDGX BZX Harmonization Filing, an order with a Discretionary Range instruction that is posted to the EDGX Book and executes against an incoming order with a Post Only instruction at the

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<sup>16</sup> See Exchange Rule 11.6(d).

<sup>17</sup> See Exchange Rule 11.6(n)(4).

<sup>18</sup> Orders that yield fee code HA receive a rebate of \$0.00150 per share in securities priced at or above \$1.00 and \$0.00003 per share in securities priced below \$1.00.

midpoint of the NBBO would pay the applicable fee for removing liquidity and the incoming order would receive the applicable rebate.<sup>19</sup>

Fee Code MT and Footnote 13. The Exchange appends fee code MT to orders that remove liquidity at the midpoint of the NBBO using: (1) a MidPoint Match order; (2) an order with a Hide Not Slide instruction; or (3) an order with a Non-Displayed and Post Only<sup>20</sup> instruction that receives price improvement relative to its limit price. Under footnote 13, an order with a Hide Not Slide instruction that removes liquidity at the midpoint of the NBBO will receive fee code MT if such order also contains a Post Only instruction and the difference between the NBB and NBO is \$0.01. Footnote 13 further states that the Exchange will charge the standard fee to remove liquidity to any order with a Hide Not Slide instruction that does not contain a Post Only instruction and to any order with a Hide Not Slide and Post Only instruction that removes liquidity at the midpoint of the NBBO when the difference between the NBB and NBO is larger than \$0.01. Orders yielding fee code MT are charged a fee of \$0.00120 per share in securities priced at or above \$1.00 and 0.30% of the dollar value in securities priced below \$1.00.

In the EDGX BZX Harmonization Filing, the Exchange decommissioned the MidPoint Match Order and replaced it with the MidPoint Peg Order. The Exchange also replaced the Hide Not Slide instruction with Display-Price Sliding. As a result of these changes, fee code MT and footnote 13 are no longer necessary as the MidPoint Match Order and Hide Not Slide instruction would no longer be available. As a result of deleting fee code MT, orders that remove liquidity at the midpoint of the NBBO will now be charged EDGX's standard removal rate of \$0.00290

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<sup>19</sup> See Exchange Rule 11.6(d), as amended by the EDGX BZX Harmonization Filing, supra note 6.

<sup>20</sup> See Exchange Rule 11.6(n)(4).

per share regardless of the difference between the NBB and NBO.

#### Fee Code MM and Footnote 11

Currently, fee code MM is applied to orders that add liquidity at the midpoint of the NBBO using: (i) a MidPoint Match Order; (ii) an order with a Hide Not Slide instruction; or (iii) an order with a Non-Displayed instruction. Under footnote 11, an order with a Non-Displayed instruction will receive fee code MM where it receives price improvement relative to its limit price and it executes against the following orders that receive fee code MT: a MidPoint Match Order, an order with a Hide Not Slide instruction and Post Only instruction when the difference between the NBB and NBO is \$0.01, or an order with a Non-Displayed and Post Only instruction. Orders yielding fee code MM are charged a fee of \$0.0012 per share in securities priced at \$1.00 or above and receive a rebate of \$0.00003 per share in securities priced below \$1.00.

As discussed above, in the EDGX BZX Harmonization Filing the Exchange decommissioned the MidPoint Match Order and replaced it with the MidPoint Peg Order as well as replaced the Hide Not Slide instruction with Display-Price Sliding. As a result of these changes, fee code MM is to be amended to remove references to MidPoint Match Orders and the Hide Not Slide instruction. The Exchange also proposes to amend the description of the of fee code MM to state that fee code MM will be applied to Non-Displayed orders that add liquidity using a MidPoint Peg Order. Footnote 11 is proposed to be deleted as those conditions would no longer be necessary to receive fee code MM. Lastly, the Exchange proposes to replace the fee of \$0.00120 per share for orders yielding fee code MM in securities priced at or above \$1.00 with a rebate of \$0.00150 per share. Orders yielding fee code MM in securities priced below \$1.00 would continue to receive a rebate of \$0.00003 per share.

In the EDGX BZX Harmonization Filing discussed above, the Exchange decommissioned the MidPoint Match Order and replaced it with the MidPoint Peg Order as well as replaced the Hide Not Slide instruction with Display-Price Sliding. As a result of these changes, fee code MM is being amended to reflect that the MidPoint Match Order and the Hide Not Slide instruction would no longer be available. Going forward, orders with a Non-Displayed instruction that add liquidity and receive price improvement will be eligible to yield proposed fee code HI discussed below. In addition, an order with a Display-Price Sliding instruction that receives price improvement, which may include an execution at the midpoint of the NBBO, would be eligible to yield proposed fee code VI discussed below.

#### Fee Codes HI, VI and Footnote 11

The Exchange proposes to add new fee code HI and revised footnote 11. Proposed fee code HI will be yielded to orders with a Non-Displayed instruction that add liquidity and receive price improvement, as described below. Such orders that yield fee code HI will pay no fee nor receive a rebate for executions in securities price at or above \$1.00 as well as in securities priced below \$1.00. Footnote 11 would be appended to fee code HI and would state that fee code HI will not be available to the Reserve Quantity of an order or to orders with a Discretionary Range instruction. Orders with a Non-Displayed instruction that add liquidity that previously received fee code MM will now receive fee code HI where they receive price improvement relative to its limit price.

The Exchange also proposes to adopt new fee code VI, which would be yielded on Displayed orders that are subject to price sliding that add liquidity and receive price improvement, as described below. Such orders that yield fee code VI will pay no fee nor receive a rebate for executions in securities price at or above \$1.00 as well as in securities priced below



\$1.00.

As part of the EDGX BZX Harmonization Filing, under Rule 11.10(a)(4)(D) the Exchange will execute the incoming order to sell (buy) against a resting order with a Non-Displayed instruction or an order subject to Display-Price Sliding at one-half minimum price variation less (more) than the price of an order displayed on the EDGX Book. In such case, an order with a Non-Displayed instruction or an order subject to a Display-Price Sliding instruction resting on the EDGX Book would receive price improvement relative to its limit price. Because such resting orders will receive price improvement, the Exchange proposes to execute the orders yielding fee codes HI or VI without providing a rebate or charging a fee. The Exchange believes that price improvement received for executions of orders with a Non-Displayed instruction or subject to Display-Price Sliding (rather than price improvement and a liquidity rebate) is appropriate because the price improvement received will offset the change in the fee structure for such orders. The Exchange notes that BZX also offers fee codes HI and VI on the same terms and for the same rates.<sup>21</sup>

#### Implementation Date

The Exchange proposes to implement these amendments to its Fee Schedule on July 6, 2015.

#### 2. Statutory Basis

The Exchange believes that the proposed rule change is consistent with the objectives of section 6 of the Act,<sup>22</sup> in general, and furthers the objectives of section 6(b)(4),<sup>23</sup> in particular, as

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<sup>21</sup> See BZX Fee Schedule available at [http://batstrading.com/support/fee\\_schedule/bzx/](http://batstrading.com/support/fee_schedule/bzx/).

<sup>22</sup> 15 U.S.C. 78f.

<sup>23</sup> 15 U.S.C. 78f(b)(4).

it is designed to provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities. The Exchange also notes that it operates in a highly-competitive market in which market participants can readily direct order flow to competing venues if they deem fee levels at a particular venue to be excessive. The proposed rule change reflects a competitive pricing structure designed to incent market participants to direct their order flow to the Exchange. The Exchange believes that the proposed rates are equitable and non-discriminatory in that they apply uniformly to all Members. The Exchange believes the fees and credits remain competitive with those charged by other venues and therefore continue to be reasonable and equitably allocated to Members.

The proposed fee changes are necessary due to the EDGX BZX Harmonization Filing, which is designed to provide consistent functionality between the Exchange and BZX, thereby reducing complexity and streamlining duplicative functionality, resulting in simpler technology implementation, changes and maintenance by Users of the Exchange that are also participants on BZX. Likewise, the proposed fee changes will streamline its pricing for executions that occur at the midpoint of the NBBO and provide a consistent pricing scheme between the Exchange and BZX, also reducing complexity for Members of the Exchange that are also participants on BZX. The proposed rule changes do not propose to implement new or unique pricing that is not currently available on BZX. As such, the proposed rule change would provide for the equitable allocation of reasonable dues, fees and other charges among its Members and other persons using its facilities.

Specifically, the Exchange believes it is equitable and reasonable to delete fee codes AA, AM, and MT as well as current footnotes 11, 12, and 13, as the functionality necessary to yield these fee codes will be decommissioned or modified as a result of the EDGX BZX

Harmonization Filing. As explained above, functionality that is to be retained by the Exchange will be captured under existing fee codes or proposed fee codes HI and VI. For the same reasons, the Exchange also believes it is equitable and reasonable to amend the description of fee code MM to reflect the functionality changes included in the EDGX BZX Harmonization Filing. Furthermore, the Exchange believes it is equitable and reasonable to replace its fee of \$0.00120 per share for securities priced above \$1.00 with a rebate of \$0.00150 per share. The Exchange believes that providing a rebate to MidPoint Peg Orders that add liquidity is a reasonable means by which to incentive Members to provide liquidity at the midpoint of the NBBO. In addition, the Exchange believes that by encouraging the use of MidPoint Peg Orders, Members seeking price improvement would be more motivated to direct their orders to EDGX because they would have a heightened expectation of the availability of liquidity at the midpoint of the NBBO.

Because orders that yield fee codes HI or VI will receive price improvement, the Exchange proposes to execute the orders without providing either a liquidity rebate or charging a fee. The Exchange believes that price improvement received for executions of orders with a Non-Displayed instruction or subject to Display-Price Sliding (rather than price improvement and a liquidity rebate) is appropriate because the price improvement received will offset the change in the fee structure for such orders. The Exchange also believes that proposed fee code VI and HI as well as proposed footnote 11, are equitable and reasonable because they are identical to like named fee codes HI and VI offered by BZX which are offered on the same terms and for the same rate.<sup>24</sup>

(B) Self-Regulatory Organization's Statement on Burden on Competition

The Exchange does not believe that the proposed rule change will impose any burden on

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<sup>24</sup> See supra note 21.

competition not necessary or appropriate in furtherance of the purposes of the Act. The Exchange notes that the proposal will streamline its pricing for executions that occur at the midpoint of the NBBO and provide a consistent pricing scheme between the Exchange and BZX, thereby reducing complexity for Members of the Exchange that are also participants on BZX. The Exchange believes its streamlined pricing for executions at the midpoint of the NBBO will increase competition amongst the Exchange and its competitors for price improving liquidity. The Exchange believes that providing a rebate to MidPoint Peg Orders that add liquidity under fee code MM will increase competition for liquidity at the midpoint of the NBBO. Thus, the Exchange believes this proposed rule change is necessary to permit fair competition among national securities exchanges.

(C) Self-Regulatory Organization's Statement on Comments on the Proposed Rule Change Received from Members, Participants or Others

The Exchange has not solicited, and does not intend to solicit, comments on this proposed rule change. The Exchange has not received any unsolicited written comments from Members or other interested parties.

III. Date of Effectiveness of the Proposed Rule Change and Timing for Commission Action

The foregoing rule change has become effective pursuant to section 19(b)(3)(A) of the Act<sup>25</sup> and paragraph (f) of Rule 19b-4 thereunder.<sup>26</sup> At any time within 60 days of the filing of the proposed rule change, the Commission summarily may temporarily suspend such rule change if it appears to the Commission that such action is necessary or appropriate in the public interest, for the protection of investors, or otherwise in furtherance of the purposes of the Act.

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<sup>25</sup> 15 U.S.C. 78s(b)(3)(A).

<sup>26</sup> 17 CFR 240.19b-4(f).



#### IV. Solicitation of Comments

Interested persons are invited to submit written data, views, and arguments concerning the foregoing, including whether the proposed rule change is consistent with the Act. Comments may be submitted by any of the following methods:

##### Electronic Comments:

- Use the Commission's Internet comment form (<http://www.sec.gov/rules/sro.shtml>); or
- Send an e-mail to [rule-comments@sec.gov](mailto:rule-comments@sec.gov). Please include File Number SR-EDGX-2015-32 on the subject line.

##### Paper Comments:

- Send paper comments in triplicate to Brent J. Fields, Secretary, Securities and Exchange Commission, 100 F Street, NE, Washington, DC 20549-1090.

All submissions should refer to File Number SR-EDGX-2015-32. This file number should be included on the subject line if e-mail is used. To help the Commission process and review your comments more efficiently, please use only one method. The Commission will post all comments on the Commission's Internet website (<http://www.sec.gov/rules/sro.shtml>).

Copies of the submission, all subsequent amendments, all written statements with respect to the proposed rule change that are filed with the Commission, and all written communications relating to the proposed rule change between the Commission and any person, other than those that may be withheld from the public in accordance with the provisions of 5 U.S.C. 552, will be available for website viewing and printing in the Commission's Public Reference Room, 100 F Street, NE, Washington, DC 20549, on official business days between the hours of 10:00 a.m. and 3:00 p.m. Copies of the filing will also be available for inspection and copying at the principal office of the Exchange. All comments received will be posted without change; the Commission does not edit personal identifying information from submissions. You should

submit only information that you wish to make available publicly. All submissions should refer to File Number SR-EDGX-2015-32 and should be submitted on or before **[INSERT DATE 21 DAYS FROM PUBLICATION IN THE FEDERAL REGISTER]**.

For the Commission, by the Division of Trading and Markets, pursuant to delegated authority.<sup>27</sup>

Brent J. Fields,  
Secretary.

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am; Publication Date: 7/17/2015]

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<sup>27</sup> 17 CFR 200.30-3(a)(12).